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2 Democrats Object to Reagan's Plan

By JUDITH MILLER

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WASHINGTON, Oct. 15 — Guidelines proposed by the Reagan Administration for the Central Intelligence Agency that would expand its activities into domestic matters jeopardize Congressional support needed to rebuild the nation's intelligence capacities, two senior Democrats said today.

Senator Daniel Patrick Moynihan, Democrat of New York, vice chairman of the Senate Select Committee on Intelligence, said that a proposed executive order governing intelligence activities "guaranteed" that the agency and the intelligence community would "suddenly be revived as a threat to liberties internally."

In an interview, he also said that an appearance of politicization was created by President Reagan's appointing people from his campaign to senior intelligence posts.

"You couldn't put together a set of evidence that would more persuade those willing to be persuaded that the agency had become a covert political instrument of the executive branch of government," Mr. Moynihan said.

While he added that he did not believe this to be true, the New York Democrat said he was "appalled and alarmed" by the Administration's "lack of sensitivity" to the implications of its actions for the intelligence community it seeks to strengthen.

Mr. Moynihan said that he had not discussed his concerns with Central Intelligence Agency officials or with Richard V. Allen, the President's national security adviser, who has been a strong proponent of the proposed order.

However, Senator Patrick J. Leahy (D-Vt.), ranking minority member of the subcommittee, which is reviewing the proposed order, said in an interview that he had discussed these and other concerns with intelligence officials, and at a breakfast meeting yesterday with Mr. Allen.

"I warned them that if they proceed with this extension of the CIA into the domestic arena, they will destroy a great deal of bipartisan support up here and the credibility needed to build up intelligence capabilities," Senator Leahy said.

The document at issue is the third draft of a proposal that would grant American intelligence agencies broad authority to infiltrate domestic organizations and to review bank, medical, telephone and other private records. Details of the 23-page proposal were disclosed last week, but Senate committee members declined to discuss the order at that time.

The proposal would have the force of law if signed by President Reagan; it is not subject to Congressional approval. It would replace Executive Order 12036, the basic framework for all intelligence activities, signed by President Carter on Jan. 24, 1978.

The Central Intelligence Agency and Mr. Allen have been seeking greatly expanded authority to strengthen the intelligence agencies' ability to collect information about Americans and foreigners living in the United States who may pose a threat to the nation's security.

However, the proposal has been vigorously attacked in private by several members of the House and Senate panels on intelligence, and by civil liberties groups. For example, Jerry J. Berman, legislative counsel to the American Civil Liberties Union, said today that the proposal constituted "an extensive expansion of C.I.A. authority to conduct surveillance on innocent Americans in the United States."

Similar concerns were aired today by several members of the Senate Intelligence Committee, who questioned Justice Department officials about the order in what one official described as a "highly contentious session."

Senator Leahy said that the Justice Department officials said that the powers of the intelligence agencies would be "clarified" by guidelines now being drafted by the department. Mr. Leahy said, however, that there was no reason why such "fenceposts" should not be included in the order itself.

Senator Moynihan described the executive order as the latest in a series of Administration actions concerning the intelligence community that he considered "profound mistakes."

Mr. Reagan's first error, Mr. Moynihan said, was the appointment of "the most political person in his campaign," William J. Casey, former campaign director, as Director of Central Intelligence. Mr. Moynihan called the appointment of such a figure to the post "unprecedented."

Then, Max C. Hugel, a former campaign organizer, was named chief of the

agency's clandestine operations, the second most sensitive intelligence post, Mr. Moynihan continued.

Senator Moynihan said that he was especially critical of Mr. Hugel's selection because Mr. Hugel was the "protégé" of William Loeb, the late publisher of the Manchester Union Leader, a conservative New Hampshire newspaper. Mr. Moynihan said that it was Mr. Loeb who had accused Vice President George Bush, who was then challenging Mr. Reagan in the New Hampshire primary, of running a campaign in Iowa that had "all the smell of a C.I.A. covert operation."

Mr. Hugel resigned his post last July after reports of financial misconduct when he was in private business, before he took the post, charges he called unfounded, unproven and untrue.